

SA 788. Mr. CORZINE (for himself and Mr. KERRY) submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra; which was ordered to lie on the table.

SA 789. Mr. GRASSLEY (for himself and Mr. BAUCUS) proposed an amendment to the bill H.R. 1836, supra.

#### TEXT OF AMENDMENTS

**SA 785.** Ms. STABENOW (for herself and Mr. DAYTON) submitted an amendment intended to be proposed by her to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 63, strike line 4 and all that follows through page 64, line 16.

On page 65, line 12, strike "and before 2011".

On page 66, in the table between line 1 and line 2, strike "2007, 2008, 2009, and 2010" and insert "2007 and thereafter".

On page 68, in the table between line 14 and line 15, add after the item relating to 2010 the following:

"2011 and thereafter                      \$20,000,000.".

On page 106, after line 6, insert the following: "(g) Notwithstanding any other provision of law; this subtitle shall not apply to property subject to the estate tax."

At the end of subtitle A of title VIII, add the following:

#### **SEC. \_\_\_\_ . ENSURING FUNDING FOR PRESCRIPTION DRUGS.**

(a) IN GENERAL.—Notwithstanding any other provision of this Act—

(1) except for section 1(i)(1) of the Internal Revenue Code of 1986, as added by section 101 of this Act, and any necessary conforming amendments, title I of this Act shall not take effect; and

(2) any provision of title V of this Act that takes effect after 2006 shall not take effect.

(b) STRATEGIC RESERVE FUND FOR LONG-TERM DEBT AND NEEDS.—Subtitle B of title II of H. Con. Res. 83 (107th Congress) is amended by inserting at the end the following:

#### **"SEC. 219. STRATEGIC RESERVE FUND FOR PRESCRIPTION DRUG BENEFITS.**

If legislation is reported by the Committee on Finance of the Senate or the Committee on Energy and Commerce or the Committee on Ways and Means of the House of Representatives, or an amendment thereto is offered or a conference report thereon is submitted, that would provide prescription drug benefits, the chairman of the appropriate Committee on the Budget shall, upon the approval of the appropriate Committee on the Budget, revise the aggregates, functional totals, allocations, and other appropriate levels and limits in this resolution for that measure by not to exceed \$55,000,000,000 for the total of fiscal years 2002 through 2011, as long as that measure will not, when taken together with all other previously enacted legislation, reduce the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus in any fiscal year provided in this resolution."

**SA 786.** Mr. GRASSLEY proposed an amendment to amendment SA 763 submitted by Mr. GRAHAM and intended to be proposed to the bill (H.R. 1836) to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

On page 1, line 2, strike all after the word "strike" through the end of page 1, line 3.

On page 20, strike lines 14 and 15 and insert the following:

"This section shall apply to policies issued after January 1st 2006."

**SA 787.** Mr. KERRY submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; as follows:

On page 314, after line 21, add the following:

#### **SEC. \_\_\_\_ . DISCLOSURE OF TAX INFORMATION TO FACILITATE COMBINED EMPLOYMENT TAX REPORTING.**

Section 6103(d)(5) is amended to read as follows:

"(5) DISCLOSURE FOR COMBINED EMPLOYMENT TAX REPORTING.—The Secretary may disclose taxpayer identity information and signatures to any agency, body, or commission of any State for the purpose of carrying out with such agency, body, or commission a combined Federal and State employment tax reporting program approved by the Secretary. Subsections (a)(2) and (p)(4) and sections 7213 and 7213A shall not apply with respect to disclosures or inspections made pursuant to this paragraph."

**SA 788.** Mr. CORZINE (for himself and Mr. KERRY) submitted an amendment intended to be proposed by him to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table; as follows:

On page 47, between lines 3 and 4, insert the following:

#### **SEC. . EXCLUSION FROM INCOME OF CERTAIN AMOUNTS RECEIVED BY AMERICORPS PARTICIPANTS.**

(a) IN GENERAL.—Section 117 of the Internal Revenue Code of 1986 (relating to qualified scholarships) is amended by adding at the end the following:

"(e) QUALIFIED NATIONAL SERVICE EDUCATIONAL AWARDS.—

"(1) IN GENERAL.—Gross income for any taxable year shall not include any qualified national service educational award.

"(2) QUALIFIED NATIONAL SERVICE EDUCATIONAL AWARD.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified national service educational award' means any amount received by an individual in a taxable year as a national service educational award under section 148 of the National and Community Service Act of 1990 (42 U.S.C. 12604) to the extent (except as provided in subparagraph (C)) such amount does not exceed the qualified tuition and related expenses (as defined in subsection (b)(2)) of the individual for such taxable year.

"(B) DETERMINATION OF EXPENSES.—The total amount of the qualified tuition and related expenses (as so defined) which may be taken into account under subparagraph (A) with respect to an individual for the taxable year shall be reduced (after the application of the reduction provided in section 25A(g)(2)) by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A with respect to such expenses.

"(C) EXCEPTION TO LIMITATION.—The limitation under subparagraph (A) shall not apply to any portion of a national service educational award used by such individual to repay any student loan described in section 148(a)(1) of such Act or to pay any interest expense described in section 148(a)(4) of such Act."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts received in taxable years beginning after December 31, 2001.

**SA 789.** Mr. GRASSLEY (for himself and Mr. BAUCUS) proposed an amendment to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002, as follows:

On page 18, between lines 14 and 15, insert the following:

#### **SEC. 202. EXPANSION OF ADOPTION CREDIT AND ADOPTION ASSISTANCE PROGRAMS.**

(a) IN GENERAL.—

(1) ADOPTION CREDIT.—Section 23(a)(1) (relating to allowance of credit) is amended to read as follows:

"(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter—

"(A) in the case of an adoption of a child other than a child with special needs, the amount of the qualified adoption expenses paid or incurred by the taxpayer, and

"(B) in the case of an adoption of a child with special needs, \$10,000."

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137(a) (relating to adoption assistance programs) is amended to read as follows:

"(a) IN GENERAL.—Gross income of an employee does not include amounts paid or expenses incurred by the employer for adoption expenses in connection with the adoption of a child by an employee if such amounts are furnished pursuant to an adoption assistance program. The amount of the exclusion shall be—

"(1) in the case of an adoption of a child other than a child with special needs, the amount of the qualified adoption expenses paid or incurred by the taxpayer, and

"(2) in the case of an adoption of a child with special needs, \$10,000."

(b) DOLLAR LIMITATIONS.—

(1) DOLLAR AMOUNT OF ALLOWED EXPENSES.—

(A) ADOPTION EXPENSES.—Section 23(b)(1) (relating to allowance of credit) is amended—

(i) by striking "\$5,000" and inserting "\$10,000";

(ii) by striking "\$6,000, in the case of a child with special needs"; and

(iii) by striking "subsection (a)" and inserting "subsection (a)(1)(A)".

(B) ADOPTION ASSISTANCE PROGRAMS.—Section 137(b)(1) (relating to dollar limitations for adoption assistance programs) is amended—

(i) by striking "\$5,000" and inserting "\$10,000"; and

(ii) by striking "\$6,000, in the case of a child with special needs"; and

(iii) by striking "subsection (a)" and inserting "subsection (a)(1)".

(2) PHASE-OUT LIMITATION.—

(A) ADOPTION EXPENSES.—Clause (i) of section 23(b)(2)(A) (relating to income limitation) is amended by striking "\$75,000" and inserting "\$150,000".

(B) ADOPTION ASSISTANCE PROGRAMS.—Section 137(b)(2)(A) (relating to income limitation) is amended by striking "\$75,000" and inserting "\$150,000".

(c) YEAR CREDIT ALLOWED.—Section 23(a)(2) (relating to year credit allowed) is amended by adding at the end the following new flush sentence:

"In the case of the adoption of a child with special needs, the credit allowed under paragraph (1) shall be allowed for the taxable year in which the adoption becomes final."

(d) REPEAL OF SUNSET PROVISIONS.—

(1) CHILDREN WITHOUT SPECIAL NEEDS.—Paragraph (2) of section 23(d) (relating to

definition of eligible child) is amended to read as follows:

“(2) ELIGIBLE CHILD.—The term ‘eligible child’ means any individual who—

“(A) has not attained age 18, or

“(B) is physically or mentally incapable of caring for himself.”

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137 (relating to adoption assistance programs) is amended by striking subsection (f).

(e) ADJUSTMENT OF DOLLAR AND INCOME LIMITATIONS FOR INFLATION.—

(1) ADOPTION CREDIT.—Section 23 (relating to adoption expenses) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

“(h) ADJUSTMENTS FOR INFLATION.—In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in subsection (a)(1)(B) and paragraphs (1) and (2)(A)(i) of subsection (b) shall be increased by an amount equal to—

“(1) such dollar amount, multiplied by

“(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2001’ for ‘calendar year 1992’ in subparagraph (B) thereof.”

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137 (relating to adoption assistance programs), as amended by subsection (d), is amended by adding at the end the following new subsection:

“(f) ADJUSTMENTS FOR INFLATION.—In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in subsection (a)(2) and paragraphs (1) and (2)(A) of subsection (b) shall be increased by an amount equal to—

“(1) such dollar amount, multiplied by

“(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2001’ for ‘calendar year 1992’ in subparagraph (B) thereof.”

(f) LIMITATION BASED ON AMOUNT OF TAX.—

(1) IN GENERAL.—Section 23(c) (relating to carryforwards of unused credit) is amended by striking “the limitation imposed” and all that follows through “1400C” and inserting “the applicable tax limitation”.

(2) APPLICABLE TAX LIMITATION.—Section 23(d) (relating to definitions) is amended by adding at the end the following new paragraph:

“(4) APPLICABLE TAX LIMITATION.—The term ‘applicable tax limitation’ means the sum of—

“(A) the taxpayer’s regular tax liability for the taxable year, reduced (but not below zero) by the sum of the credits allowed by sections 21, 22, 24 (other than the amount of the increase under subsection (d) thereof), 25, and 25A, and

“(B) the tax imposed by section 55 for such taxable year.”

(3) CONFORMING AMENDMENTS.—

(A) Section 26(a) (relating to limitation based on amount of tax) is amended by inserting “(other than section 23)” after “allowed by this subpart”.

(B) Section 53(b)(1) (relating to minimum tax credit) is amended by inserting “reduced by the aggregate amount taken into account under section 23(d)(3)(B) for all such prior taxable years,” after “1986.”

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

At the end of subtitle A of title VIII add the following:

**SEC. \_\_\_\_ DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS INCREASED.**

(a) IN GENERAL.—Section 162(l)(1) (relating to special rules for health insurance costs of

self-employed individuals) is amended to read as follows:

“(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer’s spouse, and dependents.”

(b) CLARIFICATION OF LIMITATIONS ON OTHER COVERAGE.—The first sentence of section 162(l)(2)(B) (relating to other coverage) is amended to read as follows: “Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any subsidized health plan maintained by any employer (other than an employer described in section 401(c)(4)) of the taxpayer or the spouse of the taxpayer.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

On page 314, after line 21, insert the following:

**SEC. \_\_\_\_ DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS INCREASED.**

(a) IN GENERAL.—Section 162(l)(1) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

“(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer’s spouse, and dependents.”

(b) CLARIFICATION OF LIMITATIONS ON OTHER COVERAGE.—The first sentence of section 162(l)(2)(B) (relating to other coverage) is amended to read as follows: “Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any subsidized health plan maintained by any employer (other than an employer described in section 401(c)(4)) of the taxpayer or the spouse of the taxpayer.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

On page 41, strike line 15 and all that follows through line 18, and insert the following:

“(iii) LIMITATION ON CERTAIN ROLLOVERS.—Clause (i)(I) shall not apply to any transfer if such transfer occurs within 12 months from the date of a previous transfer to any qualified tuition program for the benefit of the designated beneficiary.”, and

On page 18, between lines 14 and 15, insert the following:

**SEC. 202. REFUNDS DISREGARDED IN THE ADMINISTRATION OF FEDERAL PROGRAMS AND FEDERALLY ASSISTED PROGRAMS.**

Any payment considered to have been made to any individual by reason of section 24 of the Internal Revenue Code of 1986, as amended by section 201, shall not be taken into account as income and shall not be taken into account as resources for the month of receipt and the following month, for purposes of determining the eligibility of such individual or any other individual for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

On page 31, lines 3 and 4, strike “computer equipment (including related software and services)”.

On page 31, line 10, strike “and”.

On page 31, line 17, strike the end period and insert “, and”.

On page 31, between lines 17 and 18, insert: “(iii) expenses for the purchase of any computer technology or equipment (as defined in section 170(e)(6)(F)(i)) or Internet access and related services, if such technology, equipment, or services are to be used by the beneficiary and the beneficiary’s family during any of the years the beneficiary is in school. Such terms shall not include computer software involving sports, games or hobbies unless the software is educational in nature.

At the end of the bill, add the following:

**TITLE \_\_\_\_ SECTION 527 POLITICAL ORGANIZATION REPORTING REQUIREMENTS**

**SEC. \_\_\_\_ 01. EXEMPTION FOR STATE AND LOCAL CANDIDATE COMMITTEES FROM NOTIFICATION REQUIREMENTS.**

(a) EXEMPTION FROM NOTIFICATION REQUIREMENTS.—Paragraph (5) of section 527(i) (relating to organizations must notify Secretary that they are section 527 organizations) is amended by striking “or” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, or”, and by adding at the end the following:

“(C) which is a political committee of a State or local candidate.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect as if included in the amendments made by Public Law 106-230.

**SEC. \_\_\_\_ 02. EXEMPTION FOR CERTAIN STATE AND LOCAL POLITICAL COMMITTEES FROM REPORTING AND ANNUAL RETURN REQUIREMENTS.**

(a) EXEMPTION FROM REPORTING REQUIREMENTS.—

(1) IN GENERAL.—Section 527(j)(5) (relating to coordination with other requirements) is amended by striking “or” at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting “, or”, and by adding at the end the following:

“(F) to any organization described in paragraph (7), but only if, during the calendar year—

“(i) such organization is required by State or local law to report, and such organization reports, information regarding each separate expenditure and contribution (including information regarding the person who makes such contribution or receives such expenditure) with respect to which information would otherwise be required to be reported under this subsection, and

“(ii) such information is made public by the agency with which such information is filed and is publicly available for inspection in a manner similar to reports under section 6104(d)(1).

An organization shall not be treated as failing to meet the requirements of subparagraph (F)(i) solely because the minimum amount of any expenditure or contribution required to be reported under State or local law is greater (but not by more than \$100) than the minimum amount required under this subsection.”

(2) DESCRIPTION OF ORGANIZATION.—Section 527(j) is amended by adding at the end the following:

“(7) CERTAIN ORGANIZATIONS.—An organization is described in this paragraph if—

“(A) such organization is not described in subparagraph (A), (B), (C), or (D) of paragraph (5),

“(B) such organization does not engage in any exempt function activities other than activities for the purpose of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any State or local public office or office in a State or local political organization, and

“(C) no candidate for Federal office or individual holding Federal office—

“(i) controls or materially participates in the direction of such organization,

“(ii) solicits any contributions to such organization, or

“(iii) directs, in whole or in part, any expenditure made by such organization.”.

(b) EXEMPTION FROM REQUIREMENTS FOR ANNUAL RETURN BASED ON GROSS RECEIPTS.—Paragraph (6) of section 6012(a) (relating to persons required to make returns of income) is amended by striking “organization, which” and all that follows through “section” and inserting “organization—

“(A) which has political organization taxable income (within the meaning of section 527(c)(1)) for the taxable year, or

“(B) which—

“(i) is not a political committee of a State or local candidate or an organization to which section 527 applies solely by reason of subsection (f)(1) of such section, and

“(ii) has gross receipts of—

“(I) in the case of political organization described in section 527(j)(5)(F), \$100,000 or more for the taxable year, and

“(II) in the case of any other political organization, \$25,000 or more for the taxable year”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by Public Law 106-230.

#### SEC. 03. NOTIFICATION OF INTERACTION OF REPORTING REQUIREMENTS.

(a) IN GENERAL.—The Secretary of the Treasury, in consultation with the Federal Election Commission, shall publicize—

(1) the effect of the amendments made by this title, and

(2) the interaction of requirements to file a notification or report under section 527 of the Internal Revenue Code of 1986 and reports under the Federal Election Campaign Act of 1971.

(b) INFORMATION.—Information provided under subsection (a) shall be included in any appropriate form, instruction, notice, or other guidance issued to the public by the Secretary of the Treasury or the Federal Election Commission regarding reporting requirements of political organizations (as defined in section 527 of the Internal Revenue Code of 1986) or reporting requirements under the Federal Election Campaign Act of 1971.

#### SEC. 04. WAIVER OF PENALTIES.

(a) WAIVER OF FILING PENALTIES.—Section 527 is amended by adding at the end the following:

“(k) AUTHORITY TO WAIVE.—The Secretary may waive all or any portion of the—

“(1) tax assessed on an organization by reason of the failure of the organization to give notice under subsection (i), or

“(2) penalty imposed under subsection (j) for a failure to file a report, on a showing that such failure was due to reasonable cause and not due to willful neglect.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to any tax assessed or penalty imposed after June 30, 2000.

At the end of subtitle A of title II insert the following:

#### SEC. 05. DEPENDENT CARE CREDIT.

(a) INCREASE IN DOLLAR LIMIT.—Subsection (c) of section 21 (relating to expenses for household and dependent care services necessary for gainful employment) is amended—

(1) by striking “\$2,400” in paragraph (1) and inserting “\$3,000”,

(2) by striking “\$4,800” in paragraph (2) and inserting “\$6,000”,

(b) INCREASE IN APPLICABLE PERCENTAGE.—Section 21(a)(2) (defining applicable percentage) is amended—

(1) by striking “30 percent” and inserting “40 percent”, and

(2) by striking “\$10,000” and inserting “\$20,000”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

At the end of subtitle B of title IV add the following:

#### SEC. 06. EXCLUSION FROM INCOME OF CERTAIN AMOUNTS CONTRIBUTED TO COVERDELL EDUCATION SAVINGS ACCOUNTS.

(a) IN GENERAL.—Section 127 (relating to education assistance programs), as amended by section 411(a), is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

“(d) QUALIFIED COVERDELL EDUCATION SAVINGS ACCOUNT CONTRIBUTIONS.—

“(1) IN GENERAL.—Gross income of an employee shall not include amounts paid or incurred by the employer for a qualified Coverdell education savings account contribution on behalf of the employee.

“(2) QUALIFIED COVERDELL EDUCATION SAVINGS ACCOUNT CONTRIBUTION.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified Coverdell education savings account contribution’ means an amount contributed pursuant to an educational assistance program described in subsection (b) by an employer to a Coverdell education savings account established and maintained for the benefit of an employee or the employee’s spouse, or any lineal descendent of either.

“(B) DOLLAR LIMIT.—A contribution by an employer to a Coverdell education savings account shall not be treated as a qualified Coverdell education savings account contribution to the extent that the contribution, when added to prior contributions by the employer during the calendar year to Coverdell education savings accounts established and maintained for the same beneficiary, exceeds \$500.

“(3) SPECIAL RULES.—

“(A) CONTRIBUTIONS NOT TREATED AS EDUCATIONAL ASSISTANCE IN DETERMINING MAXIMUM EXCLUSION.—For purposes of subsection (a)(2), qualified Coverdell education savings account contributions shall not be treated as educational assistance.

“(B) SELF-EMPLOYED NOT TREATED AS EMPLOYEE.—For purposes of this subsection, subsection (c)(2) shall not apply.

“(C) ADJUSTED GROSS INCOME PHASEOUT OF ACCOUNT CONTRIBUTION NOT APPLICABLE TO INDIVIDUAL EMPLOYERS.—The limitation under section 530(c) shall not apply to a qualified Coverdell education savings account contribution made by an employer who is an individual.

“(D) CONTRIBUTIONS NOT TREATED AS AN INVESTMENT IN THE CONTRACT.—For purposes of section 530(d), a qualified Coverdell education savings account contribution shall not be treated as an investment in the contract.”.

(E) FICA EXCLUSION.—For purposes of section 530(d), the exclusion from FICA taxes shall not apply.

(b) REPORTING REQUIREMENT.—Section 6051(a) (relating to receipts for employees) is amended by striking “and” at the end of paragraph (10), by striking the period at the end of paragraph (11) and inserting “, and”, and by adding at the end the following new paragraph:

“(12) the amount of any qualified Coverdell education savings account contribution under section 127(d) with respect to such employee.”.

(c) CONFORMING AMENDMENT.—Section 221(e)(2)(A) is amended by inserting “(other than under subsection (d) thereof)” after “section 127”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2001.

On page 18, between lines 14 and 15, insert the following:

#### SEC. 202. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits), as amended by sections 619 and 620, is further amended by adding at the end the following:

#### “SEC. 45G. EMPLOYER-PROVIDED CHILD CARE CREDIT.

“(a) IN GENERAL.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to the sum of—

“(1) 25 percent of the qualified child care expenditures, and

“(2) 10 percent of the qualified child care resource and referral expenditures, of the taxpayer for such taxable year.

“(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed \$150,000.

“(c) DEFINITIONS.—For purposes of this section—

“(1) QUALIFIED CHILD CARE EXPENDITURE.—

“(A) IN GENERAL.—The term ‘qualified child care expenditure’ means any amount paid or incurred—

“(i) to acquire, construct, rehabilitate, or expand property—

“(I) which is to be used as part of a qualified child care facility of the taxpayer,

“(II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

“(III) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer,

“(ii) for the operating costs of a qualified child care facility of the taxpayer, including costs related to the training of employees, to scholarship programs, and to the providing of increased compensation to employees with higher levels of child care training, or

“(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

“(B) FAIR MARKET VALUE.—The term ‘qualified child care expenditures’ shall not include expenses in excess of the fair market value of such care.

“(2) QUALIFIED CHILD CARE FACILITY.—

“(A) IN GENERAL.—The term ‘qualified child care facility’ means a facility—

“(i) the principal use of which is to provide child care assistance, and

“(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 121) of the operator of the facility.

“(B) SPECIAL RULES WITH RESPECT TO A TAXPAYER.—A facility shall not be treated as a qualified child care facility with respect to a taxpayer unless—

“(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

“(ii) if the facility is the principal trade or business of the taxpayer, at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer, and

“(iii) the use of such facility (or the eligibility to use such facility) does not discriminate in favor of employees of the taxpayer who are highly compensated employees (within the meaning of section 414(q)).

“(3) QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURE.—

“(A) IN GENERAL.—The term ‘qualified child care resource and referral expenditure’ means any amount paid or incurred under a contract to provide child care resource and referral services to an employee of the taxpayer.

“(B) NONDISCRIMINATION.—The services shall not be treated as qualified unless the provision of such services (or the eligibility to use such services) does not discriminate in favor of employees of the taxpayer who are highly compensated employees (within the meaning of section 414(q)).

“(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

“(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

“(A) the applicable recapture percentage, and

“(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

“(2) APPLICABLE RECAPTURE PERCENTAGE.—

“(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

**The applicable recapture percentage is:**

<b>If the recapture event occurs in:</b>	
Years 1-3 .....	100
Year 4 .....	85
Year 5 .....	70
Year 6 .....	55
Year 7 .....	40
Year 8 .....	25
Years 9 and 10 .....	10
Years 11 and thereafter .....	0.

“(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the qualified child care facility is placed in service by the taxpayer.

“(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term ‘recapture event’ means—

“(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as a qualified child care facility.

“(B) CHANGE IN OWNERSHIP.—

“(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in a qualified child care facility with respect to which the credit described in subsection (a) was allowable.

“(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

“(4) SPECIAL RULES.—

“(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

“(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not

be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

“(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

“(e) SPECIAL RULES.—For purposes of this section—

“(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

“(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

“(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

“(f) NO DOUBLE BENEFIT.—

“(1) REDUCTION IN BASIS.—For purposes of this subtitle—

“(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

“(B) CERTAIN DISPOSITIONS.—If, during any taxable year, there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term ‘recapture amount’ means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

“(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) of the Internal Revenue Code of 1986 is amended by striking “plus” at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting “, plus”, and by adding at the end the following:

“(14) the employer-provided child care credit determined under section 45G.”.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following:

“Sec. 45G. Employer-provided child care credit.”

(3) Section 1016(a) of such Code is amended by striking “and” at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting “, and”, and by adding at the end the following:

“(28) in the case of a facility with respect to which a credit was allowed under section 45G, to the extent provided in section 45G(f)(1).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

On page 18, between lines 14 and 15, insert the following:

**SEC. 202. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.**

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business tax-

lated credits), as amended by sections 619 and 620, is further amended by adding at the end the following:

**“SEC. 45G. EMPLOYER-PROVIDED CHILD CARE CREDIT.**

“(a) IN GENERAL.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to the sum of—

“(1) 25 percent of the qualified child care expenditures, and

“(2) 10 percent of the qualified child care resource and referral expenditures, of the taxpayer for such taxable year.

“(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed \$150,000.

“(c) DEFINITIONS.—For purposes of this section—

“(1) QUALIFIED CHILD CARE EXPENDITURE.—

“(A) IN GENERAL.—The term ‘qualified child care expenditure’ means any amount paid or incurred—

“(i) to acquire, construct, rehabilitate, or expand property—

“(I) which is to be used as part of a qualified child care facility of the taxpayer,

“(II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

“(III) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer,

“(ii) for the operating costs of a qualified child care facility of the taxpayer, including costs related to the training of employees, to scholarship programs, and to the providing of increased compensation to employees with higher levels of child care training, or

“(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

“(B) FAIR MARKET VALUE.—The term ‘qualified child care expenditures’ shall not include expenses in excess of the fair market value of such care.

“(2) QUALIFIED CHILD CARE FACILITY.—

“(A) IN GENERAL.—The term ‘qualified child care facility’ means a facility—

“(i) the principal use of which is to provide child care assistance, and

“(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 121) of the operator of the facility.

“(B) SPECIAL RULES WITH RESPECT TO A TAXPAYER.—A facility shall not be treated as a qualified child care facility with respect to a taxpayer unless—

“(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

“(ii) if the facility is the principal trade or business of the taxpayer, at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer, and

“(iii) the use of such facility (or the eligibility to use such facility) does not discriminate in favor of employees of the taxpayer who are highly compensated employees (within the meaning of section 414(q)).

“(3) QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURE.—

“(A) IN GENERAL.—The term ‘qualified child care resource and referral expenditure’ means any amount paid or incurred under a contract to provide child care resource and referral services to an employee of the taxpayer.

“(B) NONDISCRIMINATION.—The services shall not be treated as qualified unless the provision of such services (or the eligibility

to use such services) does not discriminate in favor of employees of the taxpayer who are highly compensated employees (within the meaning of section 414(q)).

“(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

“(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

“(A) the applicable recapture percentage, and

“(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

“(2) APPLICABLE RECAPTURE PERCENTAGE.—

“(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

The applicable recapture percentage is:	
If the recapture event occurs in:	
Years 1-3 .....	100
Year 4 .....	85
Year 5 .....	70
Year 6 .....	55
Year 7 .....	40
Year 8 .....	25
Years 9 and 10 .....	10
Years 11 and thereafter .....	0.

“(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the qualified child care facility is placed in service by the taxpayer.

“(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term ‘recapture event’ means—

“(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as a qualified child care facility.

“(B) CHANGE IN OWNERSHIP.—

“(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in a qualified child care facility with respect to which the credit described in subsection (a) was allowable.

“(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

“(4) SPECIAL RULES.—

“(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

“(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

“(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by recon-

struction or replacement within a reasonable period established by the Secretary.

“(e) SPECIAL RULES.—For purposes of this section—

“(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

“(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

“(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

“(f) NO DOUBLE BENEFIT.—

“(1) REDUCTION IN BASIS.—For purposes of this subtitle—

“(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

“(B) CERTAIN DISPOSITIONS.—If, during any taxable year, there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term ‘recapture amount’ means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

“(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) of the Internal Revenue Code of 1986 is amended by striking “plus” at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting “, plus”, and by adding at the end the following:

“(14) the employer-provided child care credit determined under section 45G.”.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following:

“Sec. 45G. Employer-provided child care credit.”

(3) Section 1016(a) of such Code is amended by striking “and” at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting “, and”, and by adding at the end the following:

“(28) in the case of a facility with respect to which a credit was allowed under section 45G, to the extent provided in section 45G(f)(1).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

On page 314, after line 21, add the following:

#### SEC. 803. CHARITABLE CONTRIBUTIONS OF CERTAIN ITEMS CREATED BY THE TAXPAYER.

(a) IN GENERAL.—Subsection (e) of section 170 (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new paragraph:

“(7) SPECIAL RULE FOR CERTAIN CONTRIBUTIONS OF LITERARY, MUSICAL, OR ARTISTIC COMPOSITIONS.—

“(A) IN GENERAL.—In the case of a qualified artistic charitable contribution—

“(i) the amount of such contribution shall be the fair market value of the property contributed (determined at the time of such contribution), and

“(ii) no reduction in the amount of such contribution shall be made under paragraph (1).

“(B) QUALIFIED ARTISTIC CHARITABLE CONTRIBUTION.—For purposes of this paragraph, the term ‘qualified artistic charitable contribution’ means a charitable contribution of any literary, musical, artistic, or scholarly composition, or similar property, or the copyright thereon (or both), but only if—

“(i) such property was created by the personal efforts of the taxpayer making such contribution no less than 18 months prior to such contribution,

“(ii) the taxpayer—

“(I) has received a qualified appraisal of the fair market value of such property in accordance with the regulations under this section, and

“(II) attaches to the taxpayer's income tax return for the taxable year in which such contribution was made a copy of such appraisal,

“(iii) the donee is an organization described in subsection (b)(1)(A),

“(iv) the use of such property by the donee is related to the purpose or function constituting the basis for the donee's exemption under section 501 (or, in the case of a governmental unit, to any purpose or function described under subsection (c)),

“(v) the taxpayer receives from the donee a written statement representing that the donee's use of the property will be in accordance with the provisions of clause (iv), and

“(vi) the written appraisal referred to in clause (ii) includes evidence of the extent (if any) to which property created by the personal efforts of the taxpayer and of the same type as the donated property is or has been—

“(I) owned, maintained, and displayed by organizations described in subsection (b)(1)(A), and

“(II) sold to or exchanged by persons other than the taxpayer, donee, or any related person (as defined in section 465(b)(3)(C)).

“(C) MAXIMUM DOLLAR LIMITATION; NO CARRYOVER OF INCREASED DEDUCTION.—The increase in the deduction under this section by reason of this paragraph for any taxable year—

“(i) shall not exceed the artistic adjusted gross income of the taxpayer for such taxable year, and

“(ii) shall not be taken into account in determining the amount which may be carried from such taxable year under subsection (d).

“(D) ARTISTIC ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term ‘artistic adjusted gross income’ means that portion of the adjusted gross income of the taxpayer for the taxable year attributable to—

“(i) income from the sale or use of property created by the personal efforts of the taxpayer which is of the same type as the donated property, and

“(ii) income from teaching, lecturing, performing, or similar activity with respect to property described in clause (i).

“(E) PARAGRAPH NOT TO APPLY TO CERTAIN CONTRIBUTIONS.—Subparagraph (A) shall not apply to any charitable contribution of any letter, memorandum, or similar property which was written, prepared, or produced by or for an individual while the individual is an officer or employee of any person (including any government agency or instrumentality) unless such letter, memorandum, or similar property is entirely personal.

“(F) COPYRIGHT TREATED AS SEPARATE PROPERTY FOR PARTIAL INTEREST RULE.—In the case of a qualified artistic charitable contribution, the tangible literary, musical, artistic, or scholarly composition, or similar property and the copyright on such work shall be treated as separate properties for purposes of this paragraph and subsection (f)(3).”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions made after the date of the enactment of this Act in taxable years ending after such date.

At the end of subtitle A of title VIII insert the following:

**SEC. \_\_\_\_ . WAIVER OF STATUTE OF LIMITATION FOR TAXES ON CERTAIN FARM VALUATIONS.**

If on the date of the enactment of this Act (or at any time within 1 year after the date of the enactment) a refund or credit of any overpayment of tax resulting from the application of section 2032A(c)(7)(E) of the Internal Revenue Code of 1986 is barred by any law or rule of law, the refund or credit of such overpayment shall, nevertheless, be made or allowed if claim therefor is filed before the date 1 year after the date of the enactment of this Act.

At the end of subtitle A of title VIII insert the following:

**SEC. \_\_\_\_ . RESEARCH CREDIT.**

(a) **PERMANENT EXTENSION OF RESEARCH CREDIT.**—

(1) **IN GENERAL.**—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(2) **CONFORMING AMENDMENT.**—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to amounts paid or incurred after the date of the enactment of this Act.

(b) **INCREASES IN RATES OF ALTERNATIVE INCREMENTAL CREDIT.**—

(1) **IN GENERAL.**—Subparagraph (A) of section 41(c)(4) (relating to election of alternative incremental credit) is amended—

(A) by striking “2.65 percent” and inserting “3 percent”,

(B) by striking “3.2 percent” and inserting “4 percent”, and

(C) by striking “3.75 percent” and inserting “5 percent”.

(2) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to taxable years ending after the date of the enactment of this Act.

At the end of the matter proposed to be inserted, add the following:

**SEC. \_\_\_\_ . CREDIT FOR MEDICAL RESEARCH RELATED TO DEVELOPING VACCINES AGAINST WIDESPREAD DISEASES.**

(a) **IN GENERAL.**—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 620, is amended by adding at the end the following new section:

**“SEC. 45G. CREDIT FOR MEDICAL RESEARCH RELATED TO DEVELOPING VACCINES AGAINST WIDESPREAD DISEASES.**

“(a) **GENERAL RULE.**—For purposes of section 38, the vaccine research credit determined under this section for the taxable year is an amount equal to 30 percent of the qualified vaccine research expenses for the taxable year.

“(b) **QUALIFIED VACCINE RESEARCH EXPENSES.**—For purposes of this section—

“(1) **QUALIFIED VACCINE RESEARCH EXPENSES.**—

“(A) **IN GENERAL.**—Except as otherwise provided in this paragraph, the term ‘qualified vaccine research expenses’ means the amounts which are paid or incurred by the taxpayer during the taxable year which would be described in subsection (b) of section 41 if such subsection were applied with the modifications set forth in subparagraph (B).

“(B) **MODIFICATIONS; INCREASED INCENTIVE FOR CONTRACT RESEARCH PAYMENTS.**—For purposes of subparagraph (A), subsection (b) of section 41 shall be applied—

“(i) by substituting ‘vaccine research’ for ‘qualified research’ each place it appears in paragraphs (2) and (3) of such subsection, and

“(ii) by substituting ‘100 percent’ for ‘65 percent’ in paragraph (3)(A) of such subsection.

“(C) **EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.**—The term ‘qualified vaccine research expenses’ shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

“(2) **VACCINE RESEARCH.**—The term ‘vaccine research’ means research to develop vaccines and microbicides for—

“(A) malaria,

“(B) tuberculosis,

“(C) HIV, or

“(D) any infectious disease (of a single etiology) which, according to the World Health Organization, causes over 1,000,000 human deaths annually.

“(c) **COORDINATION WITH CREDIT FOR INCREASING RESEARCH EXPENDITURES.**—

“(1) **IN GENERAL.**—Except as provided in paragraph (2), any qualified vaccine research expenses for a taxable year to which an election under this section applies shall not be taken into account for purposes of determining the credit allowable under section 41 for such taxable year.

“(2) **EXPENSES INCLUDED IN DETERMINING BASE PERIOD RESEARCH EXPENSES.**—Any qualified vaccine research expenses for any taxable year which are qualified research expenses (within the meaning of section 41(b)) shall be taken into account in determining base period research expenses for purposes of applying section 41 to subsequent taxable years.

“(d) **SPECIAL RULES.**—

“(1) **LIMITATIONS ON FOREIGN TESTING.**—No credit shall be allowed under this section with respect to any vaccine research (other than human clinical testing) conducted outside the United States.

“(2) **PRE-CLINICAL RESEARCH.**—No credit shall be allowed under this section for pre-clinical research unless such research is pursuant to a research plan an abstract of which has been filed with the Secretary before the beginning of such year. The Secretary, in consultation with the Secretary of Health and Human Services, shall prescribe regulations specifying the requirements for such plans and procedures for filing under this paragraph.

“(3) **CERTAIN RULES MADE APPLICABLE.**—Rules similar to the rules of paragraphs (1) and (2) of section 41(f) shall apply for purposes of this section.

“(4) **ELECTION.**—This section (other than subsection (e)) shall apply to any taxpayer elects to have this section apply for such taxable year.

(b) **INCLUSION IN GENERAL BUSINESS CREDIT.**—

(1) **IN GENERAL.**—Section 38(b), as amended by section 620, is amended by striking “plus” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “, plus”, and by adding at the end the following new paragraph:

“(16) the vaccine research credit determined under section 45G.”.

(2) **TRANSITION RULE.**—Section 39(d), as amended by section 620, is amended by adding at the end the following new paragraph:

“(12) **NO CARRYBACK OF SECTION 45G CREDIT BEFORE ENACTMENT.**—No portion of the unused business credit for any taxable year which is attributable to the vaccine research credit determined under section 45G may be carried back to a taxable year ending before the date of the enactment of section 45G.”.

(c) **DENIAL OF DOUBLE BENEFIT.**—Section 280C is amended by adding at the end the following new subsection:

“(d) **CREDIT FOR QUALIFIED VACCINE RESEARCH EXPENSES.**—

“(1) **IN GENERAL.**—No deduction shall be allowed for that portion of the qualified vaccine research expenses (as defined in section 45G(b)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 45G(a).

“(2) **CERTAIN RULES TO APPLY.**—Rules similar to the rules of paragraphs (2), (3), and (4) of subsection (c) shall apply for purposes of this subsection.”.

(d) **DEDUCTION FOR UNUSED PORTION OF CREDIT.**—Section 196(c) (defining qualified business credits) is amended by striking “and” at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting “, and”, and by adding at the end the following new paragraph:

“(10) the vaccine research credit determined under section 45G(a) (other than such credit determined under the rules of section 280C(d)(2)).”.

(e) **TECHNICAL AMENDMENTS.**—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by inserting “or from section 45G(e) of such Code,” after “1978.”.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 620, is amended by adding at the end the following new item:

“Sec. 45G. Credit for medical research related to developing vaccines against widespread diseases.”.

(f) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

On page 55, strike line 8 and insert the following:

529(c)(1), or 530(d)(2). For purposes of the preceding sentence, the amount taken into account in determining the amount excluded under section 529(c)(1) shall not include that portion of the distribution which represents a return of any contributions to the plan.

On page 52, between lines 11 and 12, insert the following:

**SEC. 423. TREATMENT OF BONDS ISSUED TO ACQUIRE RENEWABLE RESOURCES ON LAND SUBJECT TO CONSERVATION EASEMENT.**

(a) **IN GENERAL.**—Section 145 (defining qualified 501(c)(3) bond) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

“(e) **BONDS ISSUED TO ACQUIRE RENEWABLE RESOURCES ON LAND SUBJECT TO CONSERVATION EASEMENT.**—

“(1) **IN GENERAL.**—If—

“(A) the proceeds of any bond are used to acquire land (or a long-term lease thereof) together with any renewable resource associated with the land (including standing timber, agricultural crops, or water rights) from an unaffiliated person,

“(B) the land is subject to a conservation restriction—

“(i) which is granted in perpetuity to an unaffiliated person that is—

“(I) a 501(c)(3) organization, or

“(II) a Federal, State, or local government conservation organization,

“(ii) which meets the requirements of clauses (ii) and (iii)(II) of section 170(h)(4)(A),

“(iii) which exceeds the requirements of relevant environmental and land use statutes and regulations, and

“(iv) which obligates the owner of the land to pay the costs incurred by the holder of the conservation restriction in monitoring compliance with such restriction,



“(C) a management plan which meets the requirements of the statutes and regulations referred to in subparagraph (B)(iii) is developed for the conservation of the renewable resources, and

“(D) such bond would be a qualified 501(c)(3) bond (after the application of paragraph (2)) but for the failure to use revenues derived by the 501(c)(3) organization from the sale, lease, or other use of such resource as otherwise required by this part, such bond shall not fail to be a qualified 501(c)(3) bond by reason of the failure to so use such revenues if the revenues which are not used as otherwise required by this part are used in a manner consistent with the stated charitable purposes of the 501(c)(3) organization.

“(2) TREATMENT OF TIMBER, ETC.—

“(A) IN GENERAL.—For purposes of subsection (a), the cost of any renewable resource acquired with proceeds of any bond described in paragraph (1) shall be treated as a cost of acquiring the land associated with the renewable resource and such land shall not be treated as used for a private business use because of the sale or leasing of the renewable resource to, or other use of the renewable resource by, an unaffiliated person to the extent that such sale, leasing, or other use does not constitute an unrelated trade or business, determined by applying section 513(a).

“(B) APPLICATION OF BOND MATURITY LIMITATION.—For purposes of section 147(b), the cost of any land or renewable resource acquired with proceeds of any bond described in paragraph (1) shall have an economic life commensurate with the economic and ecological feasibility of the financing of such land or renewable resource.

“(C) UNAFFILIATED PERSON.—For purposes of this subsection, the term ‘unaffiliated person’ means any person who controls not more than 20 percent of the governing body of another person.”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to obligations issued after January 1, 2002, and before January 1, 2005.

At the end of subtitle A of title VIII add the following:

**SEC. \_\_\_\_ . ACCELERATION OF BENEFITS OF WAGE TAX CREDITS FOR EMPOWERMENT ZONES.**

(a) IN GENERAL.—Section 113(d) of the Community Renewal Tax Relief Act of 2000 is amended by striking “December 31, 2001” and inserting “the earlier of—

“(1) the date of the enactment of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001, or

“(2) July 1, 2001”.

At the end of subtitle D of Title IV add the following:

**SEC. \_\_\_\_ . CONTRIBUTIONS OF BOOK INVENTORY.**

(a) IN GENERAL.—Section 170(e)(3) (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new subparagraph:

“(D) SPECIAL RULE FOR CONTRIBUTIONS OF BOOK INVENTORY FOR EDUCATIONAL PURPOSES.—

“(i) CONTRIBUTIONS OF BOOK INVENTORY.—In determining whether a qualified book contribution is a qualified contribution, subparagraph (A) shall be applied without regard to whether or not—

“(I) the donee is an organization described in the matter preceding clause (i) of subparagraph (A), and

“(II) the property is to be used by the donee solely for the care of the ill, the needy, or infants.

“(ii) QUALIFIED BOOK CONTRIBUTION.—For purposes of this paragraph, the term ‘quali-

fied book contribution’ means a charitable contribution of books, but only if the contribution is to an organization—

“(I) described in subclause (I) or (III) of paragraph (6)(B)(i), or

“(II) described in section 501(c)(3) and exempt from tax under section 501(a) which is organized primarily to make books available to the general public at no cost or to operate a literacy program.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after the date of the enactment of this Act.

At the appropriate place, insert the following:

**SEC. \_\_\_\_ . TREATMENT OF CERTAIN HOSPITAL SUPPORT ORGANIZATIONS AS QUALIFIED ORGANIZATIONS FOR PURPOSES OF DETERMINING ACQUISITION INDEBTEDNESS.**

(a) IN GENERAL.—Subparagraph (C) of section 514(c)(9) (relating to real property acquired by a qualified organization) is amended by striking “or” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “; or”, and by adding at the end the following new clause:

“(iv) a qualified hospital support organization (as defined in subparagraph (I)).”.

(b) QUALIFIED HOSPITAL SUPPORT ORGANIZATIONS.—Paragraph (9) of section 514(c) is amended by adding at the end the following new subparagraph:

“(I) QUALIFIED HOSPITAL SUPPORT ORGANIZATIONS.—For purposes of subparagraph (C)(iv), the term ‘qualified hospital support organization’ means, with respect to any eligible indebtedness (including any qualified refinancing of such eligible indebtedness), a support organization (as defined in section 509(a)(3)) which supports a hospital described in section 119(d)(4)(B) and with respect to which—

“(i) more than half of its assets (by value) at any time since its organization—

“(I) were acquired, directly or indirectly, by gift or devise, and

“(II) consisted of real property, and

“(iii) the fair market value of the organization’s real estate acquired, directly or indirectly, by gift or devise, exceeded 10 percent of the fair market value of all investment assets held by the organization immediately prior to the time that the eligible indebtedness was incurred.

For purposes of this subparagraph, the term ‘eligible indebtedness’ means indebtedness secured by real property acquired by the organization, directly or indirectly, by gift or devise, the proceeds of which are used exclusively to acquire any leasehold interest in such real property or for improvements on, or repairs to, such real property. A determination under clauses (i) and (ii) of this subparagraph shall be made each time such an eligible indebtedness (or the qualified refinancing of such an eligible indebtedness) is incurred. For purposes of this subparagraph, a refinancing of such an eligible indebtedness shall be considered qualified if such refinancing does not exceed the amount of the refinanced eligible indebtedness immediately before the refinancing.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to indebtedness incurred after December 31, 2003.

On page 314, after line 21, add the following:

**SEC. \_\_\_\_ . TAX-EXEMPT BOND AUTHORITY FOR TREATMENT FACILITIES REDUCING ARSENIC LEVELS IN DRINKING WATER.**

(a) IN GENERAL.—Section 142(e) (relating to facilities for the furnishing of water) is amended—

(1) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively,

(2) by striking “For purposes” and inserting the following:

“(1) IN GENERAL.—For purposes”, and

(3) by adding at the end the following:

“(2) FACILITIES REDUCING ARSENIC LEVELS INCLUDED.—Such term includes improvements to facilities in order to comply with the 10 parts per billion arsenic standard recommended by the National Academy of Sciences.”.

(b) FACILITIES NOT SUBJECT TO STATE CAP.—Section 146(g) (relating to exception for certain bonds) is amended—

(1) by striking “and” at the end of paragraph (3),

(2) by striking the period at the end of paragraph (4) and inserting “, and”, and

(3) by inserting after paragraph (4), the following new paragraph:

“(5) any exempt facility bond issued as part of an issue described in section 142(a)(4) (relating to facilities for the furnishing of water), but only to the extent the property to be financed by the net proceeds of the issue is described in section 142(e)(2).”.

(c) EXEMPT FROM AMT.—Section 57(a)(5)(C) (relating to tax-exempt interest of specified private activity bonds) is amended by adding at the end the following new clause:

“(v) EXCEPTION FOR CERTAIN WATER FACILITY BONDS.—For purposes of clause (i), the term ‘private activity bond’ shall not include any exempt facility bond issued as part of an issue described in section 142(a)(4) (relating to facilities for the furnishing of water), but only to the extent the property to be financed by the net proceeds of the issue is described in section 142(e)(2).”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after the date of the enactment of this Act.

Beginning on page 19, line 21, strike all through page 22, line 1, and insert:

“(7) APPLICABLE PERCENTAGE.—For purposes of paragraph (2), the applicable percentage shall be determined in accordance with the following table:

<b>“For taxable years beginning in calendar year—</b>	<b>The applicable percentage is—</b>
2005 .....	174
2006 .....	184
2007 .....	187
2008 .....	190
2009 and thereafter .....	200.”.

(c) TECHNICAL AMENDMENTS.—

On page 21, line 2, strike “2005” and insert “2004”.

On page 21, strike the table following line 21, and insert:

<b>“For taxable years beginning in calendar year—</b>	<b>The applicable percentage is—</b>
2005 .....	174
2006 .....	184
2007 .....	187
2008 .....	190
2009 and thereafter .....	200.

At the end of subtitle A of title VIII, insert:

**SEC. \_\_\_\_ . TIME FOR PAYMENT OF CORPORATE ESTIMATED TAX PAYMENTS DUE IN 2011.**

Notwithstanding section 6655 of the Internal Revenue Code of 1986, the amount of any required installment of any corporate estimated tax payment due under such section in July, August, or September of 2011 shall be equal to 170 percent of the amount of such installment determined without regard to this section.

**NOTICE OF HEARING**

SUBCOMMITTEE ON NATIONAL PARKS, HISTORIC PRESERVATION, AND RECREATION

Mr. THOMAS. Mr. President, I would like to announce for the information of